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AICPA *Washington Report*

November 21, 1977, Volume VI, Issue 39

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AGRICULTURE, DEPARTMENT OF

Final amendments to the FmHA's regulations concerning rural rental housing loan and grant programs appear in the 11/15/77 Fed. Reg., pp. 59042-52. Exhibit K contains the requirements for grantees to follow with respect to loan arrangements. In particular, there is a requirement that grantees maintain accounting systems and ensure that audits are accomplished annually.

COMMERCE, DEPARTMENT OF

"Crime in Service Industries" is a follow-up report to the February 1977 revision of the report: "Cost of Crime Against Business." The publication provides guidelines for crime deterrent policy formation in the service industries and identifies primary vulnerabilities of service businesses to crime. Particular attention is focused on the following types of services: education, financial, health care, and insurance. Also included are sections on employee and computer crime. Copies of the report are available from the GPO for \$3.00 each (S/N 003-009-00247).

ENERGY, DEPARTMENT OF

The House-Senate conferees struck the Administration's proposal for nationwide mandatory electric utility rate-making standards, and approved as a substitute rate-making guidelines which the States must consider but which they can reject. The compromise establishes 11 "Federal guidelines" which State public utility commissions must consider within 2 years. They are: Time of day rates; seasonal rates; rates reflecting cost of service; interruptible rates and load management techniques; prohibition of declining block rates, by which cost per unit goes down as consumption increases; prohibitions or restrictions on master metering; procedures for reviewing automatic adjustments; classes to insure incentives for efficient use of resources; procedures for providing adequate information to consumers; prohibitions on charging ratepayers for certain advertising; procedures for protecting ratepayers against abrupt termination of service.

It is expected that the Energy Bill conferees will break for a few days over the Thanksgiving day week-end and will resume their consideration of the bill on the following Tuesday or Wednesday.

DOE is moving ahead with its Financial Reporting System for petroleum companies
The forms have been revised so as to use a reporting format that links directly to standard financial statements. Initially, the forms will be field-tested by selected companies so that they may be evaluated prior to submission to OMB for review and approval. The forms provide for allocation of reported spending to several segments of the industry but no arbitrary allocations are to be made. For more information, contact Mr. Andersen at 202/254-5560.

FEDERAL RESERVE BOARD

A hearing has been scheduled for 11/29/77 by the Senate Governmental Affairs Committee on a House-passed bill (HR 2176) requiring the Comptroller General to regularly audit the three federal banking agencies. While the Comptroller of the Currency and the Federal Deposit Insurance Corporation have expressed support for the legislation, with minor changes, the Federal Reserve Board is expected to mount

a strong attack against it. FRB Chairman Burns stated that the bill would "compromise the independence of the Federal Reserve System". Burns also questioned the adequacy of the bill's safeguards for confidential information, claiming that the increased number of persons with access to sensitive material poses a threat to confidentiality. Under the provisions of the bill, auditors would be prohibited from publicly identifying bank customers, open banks or bank holding companies and would not be able to conduct on-site examinations of open-insured institutions without written consent from the appropriate regulatory agency.

A program of intensified supervision of bank holding companies was recently announced by the Board. The program, which includes new inspection requirements, will become effective 1/1/78 and calls for an annual inspection of most large bank holding companies and a standardized "Report of Bank Holding Company Inspection" to be used by all Reserve banks in the inspection of companies subject to the new program. Banking holding companies to be inspected annually include most of those with assets greater than \$300 million. Those subject to the criteria of the new inspection form include all bank holding companies with consolidated assets of more than \$300 million and companies with assets of less than \$300 million which control subsidiaries -- other than banks -- that extend credit. The inspection report, which requires the examiner to comment on the nonbank subsidiary's activities, financial statement, and condition, is expected to insure an accurate determination of the financial condition of large bank holding companies.

FEDERAL TRADE COMMISSION

Commissioner Calvin J. Collier has announced his resignation effective 12/31/77, citing personal reasons for his decision. Collier, whose term expires in September, 1982, served as chairman of the Commission from the time of his appointment in 1976 until April of this year when Michael Pertschuk was named to head the Commission. Prior to joining the FTC Collier was general counsel and later associate director of OMB. He has also served as FTC general counsel.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

"Footnote: Journal of the HEW Audit Agency", is now available to the public. The journal provides information on how to perform HEW audits and, although much of the information is directed toward HEW staff auditors, it is useful to anyone performing a government audit. Among the topics covered are program evaluations, legislative intent in auditing, audit flowcharting, underlying cause, and working paper standards. Copies of the journal are available by calling 202/472-3200.

LABOR, DEPARTMENT OF

We earlier reported that the basic pension annual report form (DOL 5500) was undergoing some revisions. The final decisions on the changes are being made, and if anyone is interested in commenting on them, contact Mr. Strasser at OMB, 202/395-6132.

PENSION BENEFIT GUARANTY CORPORATION

An update of the Corporation's opinion letters from 7/1/77 through 9/30/77 is now available. The opinion letters are representative responses by PBGC to questions raised concerning the plan termination insurance program under Title IV of ERISA.

The update is available in two formats, both containing the same information. The "chronological" edition, with letters arranged in chronological order, is priced at \$2.55. The "sectional" edition, with letters arranged in the sequence of the sections of ERISA to which they pertain and repeated for each relevant section, is priced at \$4.25. The update will be mailed automatically to those persons holding annual subscriptions. Other interested persons should contact the PBGC at 202/254-4817.

A final rule imposing the premiums payable to the Pension Benefit Guaranty Corporation by plan administrators of pension plans covered by Title IV of ERISA appeared in the 11/17/77 Fed. Reg., pp. 59385-86. For plan years beginning on or after 1/1/78, the premium imposed by Title IV will be due no later than seven months after the close of the prior plan year. Presently the premiums are due 30 days after the beginning of a plan year. This rule was made effective 11/17/77. For further information contact William G. Beyer at 202/254-4889.

A proposed rule prescribing reporting and notification requirements for "reportable events" imposed by ERISA appeared in the 11/16/77 Fed. Reg., pp. 59285-94. The Act requires a plan administrator of any plan covered by the plan termination insurance provisions of the Act ("covered plan") to notify the PBGC within 30 days after he knows or has reason to know of the occurrence of certain events that may indicate a possible danger of plan termination. The PBGC is authorized to waive these reporting obligations and instead to require notification of the events to be included in the plan's annual report to the PBGC. Comments are due by 1/30/78. For further information contact David Weingarten at 202/254-3010.

SECURITIES AND EXCHANGE COMMISSION

Amendments to the short tendering rule have been proposed and appear in the 11/16/77 Fed. Reg., pp. 59280-85. If adopted, the proposed amendments would provide definitions, and substantive antifraud provisions for the purpose of protecting investors, with respect to practices during tender offers for any securities. Comments are due prior to 1/31/78.

SMALL BUSINESS ADMINISTRATION

A series of regional advisory council meetings have been scheduled. Meeting locations, dates and information contacts are as follows: (1) Region X - Boise, Idaho; 12/5/77; contact Oliver T. Davis at 208/554-1096 (2) Region V - Cleveland, Ohio; 12/15/77; contact S. Charles Hemming at 216/293-4182 (3) Region X - Portland, Oregon; 12/7/77; contact J. Don Chapman at 503/423-3461 (4) Region X - Seattle, Washington; 12/9/77; contact Robert F. Caldwell at 206/399-7791. No specific agenda for any of these meetings has yet been announced.

TREASURY, DEPARTMENT OF

IRS has decided that as a result of the first cycle of the "slush fund program" as it relates to the independent public accountant (managing partner) that the managing partner will no longer be asked to attest to the affidavits submitted by corporate officials and key employees as previously required. The Service goes on to say that elimination of the attestation requirement does not preclude asking a selected managing partner the 11 questions or any other questions that relate to the taxpayer under audit. The revised procedure which will delete the attestation requirement will

include the managing partner as one of many individuals who might be asked the 11 questions. However, the facts and circumstances of each individual case and the judgment of the case manager will determine whether the accountant is interviewed.

Field hearings on tax simplification have been scheduled by the Chairman of the House Ways and Means Oversight Subcommittee. The hearings will be held in St. Louis on 12/13, Minneapolis on 12/14, and Milwaukee on 12/15. Issues to be covered at the hearings include:

- Recommendations for simplification of the income tax provisions as they apply to average taxpayers or small business, including commentary on the Joint Committee on Taxation report, "Issues in Simplification of the Income Tax Laws".
- Identification of those provisions of the law which cause the most difficulty for such taxpayers and thus are high priority for simplification efforts.
- The effect of complex tax forms on taxpayer behavior -- whether fewer taxpayers would seek return preparation assistance if a tax form was available that asked for only certain basic information and involved few, if any, computations by the taxpayer; why more taxpayers do not ask the IRS to compute their tax, and what should be done to encourage the greater use of this service; comments on the new forms and the expanded tax tables prepared for this coming filing season.
- Any other commentary on IRS taxpayer assistance efforts or tax administration generally.

Banking Circular No. 95 on changes in lease reporting requirements of national banks have been made by the Comptroller's incorporation of Financial Accounting Standard No. 13 into the "Instructions for Preparation of Consolidated Reports of Condition and Reports of Income by National Banking Associations". The incorporation is effective with the December 31, 1977 reports. The Comptroller's Circular sets out the timetable for full implementation of FAS 13 by national banks, and gives guidance on what should be done if the premises limitation contained in 12 USC 371(d) is exceeded because of capitalization of leases executed before November 15, 1977.

The IRS today announced that effective with the quarter beginning on January 1, 1978, employers no longer will be required to file Schedule A of Form 941, Employer's Quarterly Federal Tax Return, and Schedule A of Form 943, Employer's Annual Tax Return for Agricultural Employees. The two employment tax schedules require a detailed listing of employees, their social security numbers, and their earnings for use by the Social Security Administration. Under the new Combined Annual Wage Reporting System, beginning with tax year 1978, employers will include social security coverage information on Form W-2. All Forms W-2 will be processed by the Social Security Administration, which then will provide IRS with the income tax data that it needs from the forms.

The Small Business Advisory Committee will meet December 6 and 7 in Room 4121 of the Main Treasury Building, Washington D.C. The meeting will set up an agenda for the coming months, and will work out administrative details of the committee's operation. The committee was formed to provide a means of communication between the small business community and Treasury officials on economic issues, including capital formation, tax policy, tax administration, and government regulations. Persons interested in attending should call 202/566-5487.

SPECIAL: METCALF SUBCOMMITTEE ISSUES REPORT

The Subcommittee on Reports, Accounting and Management, Chaired by Senator Lee Metcalf (D-Mont), has issued a report based on the hearings held earlier in the year on the staff study entitled "The Accounting Establishment".

The 25-page report, which was approved by all the members of the Subcommittee contains recommendations that the organized accounting profession increases its vigilance over its members' activities, but did not call for a "federal takeover." A self-regulatory organization was suggested, along with increased SEC oversight responsibilities.

The January issue of the Journal of Accountancy will carry the complete text of the Subcommittee report.

SPECIAL: NOMINATIONS FOR 1977 FINANCIAL MANAGEMENT IMPROVEMENT AWARDS BEING SOUGHT.

Nominations are now being requested for Federal, State and local employees who have demonstrated excellence in government financial management. The Award is recognition for government employees who through practice of effective financial management have achieved significant economies, efficiencies and improvements in Federal, State and local governments. For more information about the nomination process call 202/376-5415.

For additional information contact:
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